

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies,  
Procedures and Rules for the California Solar  
Initiative, the Self-Generation Incentive Program  
and Other Distributed Generation Issues

Rulemaking 06-03-004  
(Filed March 2, 2006)

**COMMENTS OF CLEAN POWER MARKETS, INC.  
ON CPUC ENERGY DIVISION  
STAFF DRAFT PROPOSAL PHASE I FOR  
THE CALIFORNIA SOLAR INITIATIVE  
DESIGN AND ADMINISTRATION 2007-2016**

May 16, 2006

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DIVISION STAFF DRAFT PROPOSAL PHASE I FOR THE CALIFORNIA  
SOLAR INITIATIVE DESIGN AND ADMINISTRATION 2007-2016**

Clean Power Markets, Inc. appreciates the opportunity to provide comments on the CPUC Energy Division's Staff Draft Proposal for Phase 1 of the California Solar Initiative. Our comments today focus on Sections 2.4 (Expected Performance Buy Down) and 6.2 (Small systems, including Residential Retrofit and Small Commercial Program Administration) of the Staff Draft Proposal.

Clean Power Markets, Inc. (CPM) provides comments on this draft based on our company's involvement in New Jersey's solar incentive program. CPM administers New Jersey's Solar Renewable Energy Certificate (NJ SREC) Program, and interacts with the complete range of stakeholders in New Jersey's market, including solar homeowners and business owners, solar installers, brokers, aggregators, and the Office of Clean Energy within the New Jersey Board of Public Utilities. Our experiences in New Jersey are important to share during this phase regarding these two sections in the draft proposal.

1. Section 2.4: Expected Performance Buy Down Incentive – Small Solar PV Systems <100 kW

Under the heading "Verification of Design Information in Application and/or Performance" in Section 2.4, the proposal states: "All projects 30-100 kW must have a post-construction inspection", which will be used to verify the data submitted in the original application. We agree with this requirement, and believe it will lead to better-sited solar systems. In New Jersey as well, projects that apply for buy-down funds are all physically inspected and signed off before the rebate funds are released.

We use this verified installation information to calculate a PV Watts estimate of monthly production. For the New Jersey SREC Program, we use the PV Watts estimate as the proxy for the actual production for systems smaller than 10 kW, and issue the solar RECs based on this estimate. For systems 10 kW and larger, the actual reported monthly production is used to issue the solar RECs, but the PV Watts estimate is used to compare the reported production with the expected production as one point of verification that the reported production is accurate.

Each year, Clean Power Markets (CPM) conducts an annual audit before the end of each Reporting Year on a statistically significant sample of solar systems participating in the SREC program to determine 1) how closely the PV Watts estimates mirror the actual production of solar systems that are less than 10 kW in size; 2) how accurately meter readings are being reported for solar systems that are 10 kW and greater in size; and 3) how closely the actual meter readings for >10 kW systems mirror a PV Watts prediction. On average, the results in 2005 were that the PV Watts estimate was higher than the actual production by 9%. The detailed results showed that (1) for systems < 10 kW that had operated for less than 1 year, the estimate was higher by 14%; (2) for systems < 10 kW that had operated for more than 1 year, the estimate was higher by 8%; and (3) for all systems > 10 kW, the estimate was higher by 8%. We are in the midst of compiling the results for the 2006 audit and do not yet have any results to report. But our results from 2005 indicate that actual versus estimated results are more likely to converge when compared over a longer period of time.

The Staff Proposal states that “System output will be measured for a one month period to determine what system output should have been based on measured insolation data collected for the same time and location (using satellite or some other location-specific data source) combined with the system’s design (orientation, shading) and a simulation model.” Under the proposal, the Verified System Rating in kW under the EPBB (Expected Performance Buy Down Incentive) will be adjusted based on the output during this one month period compared to the output from PV Watts or other software estimation tool.

Based on our experience in New Jersey, we suggest that staff consider comparing the measured output to the estimated output for a period of at least one year to determine whether the system output is as expected. In terms of the amount of data required to make this change, there is no difference; collecting one piece of production data, namely the production after 12 months of operation, is no more difficult than collecting the production data after 1 month of operation. Truing

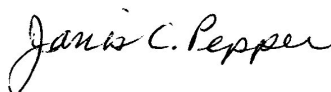
up the incentive payment may require making a partial payment immediately after the system is installed and inspected, and making the final payment after the one-year production data is reported.

## 2. Section 6.2: Small systems, including Residential Retrofit and Small Commercial Program

### Administration

Clean Power Markets agrees with the staff proposal that a non –IOU program administrator should administer the small solar system applications. However, we feel that alternative 2, “utilizing a competitive bidding process to select a third-party administrator of any kind for the small systems” should be employed. The staff proposal assumes that consulting firms are the likely for-profit entities that will bid to administer the program and that they are not committed to long-term success and sustainability of the CSI program. We believe that there are other for-profit firms that are committed to the long-term success and sustainability of the CSI program that should have the opportunity to bid on the administrator role. In order to best utilize the funds for the CSI program, an organization that can administer the program in an efficient manner, for the least cost, and supporting the program goals is what is needed, whether this organization is a for-profit or a non-profit. Of key importance is that the administrator does not have any conflicts of interest that would hamper their ability to make the CSI program successful.

Respectfully submitted,



May 16, 2006

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**CERTIFICATE OF SERVICE**

I, Janis C. Pepper, am over the age of 18 years. On May 16, 2006, I served the within document COMMENTS OF CLEAN POWER MARKETS, INC. ON CPUC ENERGY DIVISION STAFF DRAFT PROPOSAL PHASE I FOR THE CALIFORNIA SOLAR INITIATIVE DESIGN AND ADMINISTRATION 2007-2016, in R.06-03-004, with electronic and delivery service, as prescribed in the Scoping Memo for R.06-03-004.

Executed on May 16, 2006, at Los Altos, California.



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Janis C. Pepper

R. 06-03-004 Service List (as of May 16, 2006)

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